United States Department of Agriculture

Rural Development
Rural Business - Cooperative Programs
Rural Housing Programs
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VA AN No. 422 (1930-C)
July 25, 2003

SUBJECT: Multi-Family Housing Management Fee Guidelines for Virginia

TO: Rural Development Managers and Rural Development Specialists

PURPOSE/OUTCOME:

The purpose of this Administrative Notice (AN) is to provide the management fee structure for Rural Housing Service (RHS) financed multi-family housing properties in Virginia. Borrowers/agents may use these fees when preparing their FY 2004 budgets.

COMPARISON WITH PREVIOUS AN:

This AN replaces VA AN No. 400 (1930-C) dated June 5, 2002

IMPLEMENTATION RESPONSIBILITIES:

In accordance with paragraph V E 3 of Exhibit B of RD Instruction 1930-C, we have established the management fees that borrowers/agents may claim to perform duties as detailed in their management plans. RHS will consider management fees outside of these guidelines when a borrower/agent provides evidence that such fees are reasonable for the services performed. Area Offices may forward these requests, along with the Servicing Official's recommendation, to the State Office for approval. Maintenance and services for the residents must not suffer at the expense of an increased management fee.

Management fees will be calculated on a per occupied unit, per month (PUPM) basis. Occupied units include all units occupied at any time during a month, not just the first day of a month.

The maximum annual management fee to be entered on the budget and management agreement should be calculated as if there was 100 percent occupancy of all revenue producing units. Non-revenue producing units are not included. The actual annual management fee paid will not exceed the same

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August 2, 2004

FILING INSTRUCTION: Preceding RD Instruction 1930-C

ratio of actual rents earned versus the maximum possible rental collections at 100 percent occupancy. This would include the current year's rents and rental assistance due but not received by year-end. The final adjustments to the annual maximum management fee must occur by year-end and be so reflected in the audit or year-end budget (Form RD 1930-7). These adjustments should occur in the final quarter of the year in order to be in compliance by the end of the year. Management fees must be earned and should be paid monthly based on the previous month's activities. Management fees should be paid from the general operating account as an operations and maintenance expense.

Area Offices may approve budgets and management agreements based on the following management fee structure. Affordability, performance, complexity, program compliance, involvement, etc., will be considered in determining the allowable management fee.

MANAGEMENT FEE STRUCTURE – MAXIMUM PUPM

Tax Credit Property	$38
Interest Credit with Less than 50% Project Based Tenant Subsidy (RA or Section 8)	$37
Interest Credit with 50% or More Project Based Tenant Subsidy (RA or Section 8)	$36
Troubled Property with Recent Change of Management Agent on Special Note Rate Rent/Work Out Plan	$35
Troubled Property – No Fault of Existing Management Agent on Special Note Rate Rent/Work Out Plan	$34
Property in Non-Compliance	$33

The Area Office will have the authority to reduce the management fee by $1 to $5 PUPM if there are deficiencies in any of the following:

1. Day-to-day operations, which include payments, submission of tenant certifications, quarterly reports, follow up on non-compliance issues, etc.

2. Annual operations, which include year-end information, budgets, utility allowances, tax receipts, addendums to the management plan, annual inspections, training and oversight, etc.

3. Long term operations, which include management documents, Affirmative Fair Housing Marketing Plans, energy audits, supervisory visits, compliance reviews and triennial physical inspections.

An additional $2 PUPM may be added to the applicable management fee for the management agents that complete transactions through industry interface at their location. If the site personnel completes these transactions, a $2 PUPM bookkeeping cost may be entered on Line 22, Part II, of the budget. If neither the management agent or site personnel are completing these transactions, the $2 PUPM allowance will not be allowed.

If you have any questions, please contact the Multi-Family Housing Program Division.

/s/

JOSEPH W. NEWBILL
State Director